

City of Marietta
GASB 45 Actuarial Valuation

Report for Fiscal Year Ending June 30, 2016

and

Plan Year Beginning July 1, 2015

January 2016

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Highlights

This report summarizes the GASB 45 valuation results for the City of Marietta based upon the actuarial valuation as of July 1, 2015.

	July 1, 2015	July 1, 2013
Accrual Basis		
Discount Rate	5.00%	4.00%
Actuarial Accrued Liability		
Medical, Dental and Life Insurance	\$67,341,121	\$99,287,804
Employer Annual Cost for Fiscal Year		
Medical, Dental and Life Insurance	\$2,566,292	\$6,251,208

Medical Dental and Life Valuation Results

	Projected July 1, 2016	July 1, 2015
Actuarial Accrued Liability (AAL)		
Retired Employees	48,371,725	45,182,115
Terminated Vested Employees	-	-
Active Employees	<u>23,723,311</u>	<u>22,159,006</u>
Total AAL	72,095,036	67,341,121
Normal Cost	1,386,859	1,320,818
Amortization of Unfunded (22, 21 years)	<u>2,320,695</u>	<u>2,111,188</u>
Total Employer Cost As of Valuation Date	3,707,554	3,432,006
Adjustment to ARC	(2,945,527)	(2,683,351)
Employer Contributions	(3,114,123)	(2,965,832)
Interest	1,942,913	1,817,637
Annual OPEB Cost	2,704,940	2,566,292

Projected Accounting Disclosures

Fiscal Year Ending	6/30/2017	6/30/2016	6/30/2015
Normal Cost	\$1,386,859	\$1,320,818	\$2,919,769
Amortization of Actuarial Liability	<u>2,320,695</u>	<u>2,111,188</u>	<u>3,995,028</u>
Annual Required Contribution (ARC)	\$3,707,554	\$3,432,006	\$6,914,797

Development of Net OPEB Obligation

ARC	\$3,707,554	\$3,432,006	\$6,914,797
Adjustment to ARC	(\$2,945,527)	(\$2,683,351)	(\$2,550,590)
Interest on ARC and Net OPEB			
Obligation After Adjustments	<u>1,942,913</u>	<u>1,817,637</u>	<u>1,668,919</u>
Annual OPEB Cost	2,704,940	2,566,292	6,033,125
Employer Contributions*	<u>(3,114,123)</u>	<u>(2,965,832)</u>	<u>(4,101,401)</u>
Increase In Net OPEB Obligation	(\$409,183)	(\$399,539)	\$1,931,724
Net OPEB Obligation Beginning of Year	<u>36,687,469</u>	<u>37,087,008</u>	<u>35,155,285</u>
Net OPEB Obligation End of Year	\$36,278,286	\$36,687,469	\$37,087,008

Amortization Bases

Effective Date	Remaining Amount	Remaining Period	Amortization Charge
July 1, 2015	\$29,179,056	22 Years	2,111,188

* Employer contributions for each fiscal year are assumed to be equal to expected employer net cost.

Accounting Disclosures

Schedule of Government Contributions

Fiscal Year Ending	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2008	\$6,399,000	35.51%	\$4,127,000
June 30, 2009	\$6,598,000	37.15%	\$8,274,000
June 30, 2010	\$12,374,000	23.98%	\$17,681,000
June 30, 2011	\$5,041,501	45.05%	\$33,158,255
June 30, 2012	\$4,707,933	65.05%	\$30,387,844
June 30, 2013	\$5,041,501	45.05%	\$33,158,255
June 30, 2014	\$6,251,208	68.05%	\$35,155,285
June 30, 2015	\$6,033,125	67.98%	\$37,087,008
June 30, 2016	\$2,566,292	115.57%	\$36,687,469

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
July 1, 2006	\$0	\$90,530,000	\$90,530,000	0.00%
July 1, 2009	\$52,000	\$155,919,000	\$155,867,000	0.03%
July 1, 2011	\$436,501	\$75,113,688	\$74,677,187	0.58%
July 1, 2013	\$678,223	\$99,287,804	\$98,609,581	0.68%
July 1, 2015	\$1,075,057	\$67,341,121	\$66,266,064	1.60%

Contribution Percentages are based upon expected employer net cost.

Actuarial Assumptions and Methods

Economic Assumptions

Interest rates:

- Discount rate	5.00%
- Return on assets	5.00%

Medical Trend	5.00%
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Demographic Assumptions

Mortality	RP-2000 Mortality Table
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Termination	Sample Rates Below
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		Age 30	Age 40	Age 50
(Select and Ultimate)	Male	14.22	7.65	0
	Female	14.01	8.33	0
	Uniform	4.83	3.84	0

Disability	50% of 1975 SSA study
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	2015	2013	2011
Average Per Capita Claims Cost	\$5,103	\$4,327	\$2,866
Projected to Ages 55-59	\$12,156	\$7,928	\$5,993
Projected to Age 65 - 69	\$3,858	\$5,063	\$4,192

Retiree Copay Percentage	Varies by age and plan design
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Actuarial Assumptions and Methods (continued)

Retirement Participants become eligible to retire under the same provisions as the pension plan.
6% until age 55, 5% from ages 56-60, 10% 61-64, and 100% age 65 or later.

Participation	Service	8/13/91 or before	8/14/91 - 10/31/2006	After 10/31/2006
	20+	100%	100%	90%
	15-19	100%	90%	25%
	10-14	100%	80%	25%
	<10	100%	25%	0%

Spousal Participation 50% of Employees who Retire

Administrative expense None

Percentage married 50%

Spouse age Wives 3 years younger than husbands

Actuarial Methods

- Normal Cost and Actuarial
Accrued Liability Projected Unit Credit
- Actuarial Value of Assets Same as Market Value
- Amortization of Unfunded Accrued
Actuarial Liability (UAAL) UAAL is amortized over closed periods using level dollar payments. The amortization period will shorten until it reaches 15 years.

Benefits Not Valued All benefits were valued

Change in Methods and Assumptions Since Last Year

Discount rate increased from 4% to 5%, to reflect the expected return of investments in the OPEB Trust.

Assets and Employee Data

The Actuary used asset data supplied by the City. The census data provided was gathered by the City and presumed correct by the Actuary.

Participant Data (Medical Coverage)

The City supplied a census of all participants as of July 1, 2015.

	July 1, 2015	July 1, 2013
In pay status:		
- Number	411	361
- Expected Net Claims	\$2,771,021	\$4,129,179
- Average Employer Cost	\$6,742	\$11,438
Actives:		
- Number	688	679
- Average age	43.93	43.34
- Average past service	11.47	11.26
- Average future service	12.53	12.74

Average Cost Per Policy Information Pre Medicare

2014 Plan Year

Average Policy Cost	\$5,618
Average Retiree Policy Cost pre Medicare	\$9,807
Implied Subsidy	74.57%
Spouse Co Pay Percentage (at 100% of Active)	57.28%
Employer Percentage	42.72%

Plan Provisions

Method of Distribution of Benefits	Employer to provide health coverage and a flat \$25,000 of life insurance.
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Eligibility	All Full Time employees of The City of Marietta are eligible.
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Employee Contributions	Varies See Table on page 11.
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Employer Contributions	Employer covers all additional costs.
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Credited Service	A participant's total years of credited service for benefit purposes is completed months of service divided by twelve.
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Vesting Service	A participant's total years of credited service for vesting purposes is completed months of service divided by twelve.
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Retirement Dates	<p>The normal retirement date of a participant is the first day of the calendar month coincident with or next following their 65th birthday.</p> <p>A participant may retire on an early retirement date which may be the first day of any calendar month prior to their normal retirement date, provided they have then attained their 50th birthday and completed 10 years of credited service.</p> <p>A participant may continue in employment beyond their normal retirement date; such participant's postponed retirement date will be the first day of the calendar month coincident with or next following their actual retirement.</p>
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Plan Provisions (continued)

Retirement Health Benefit	An employee who retires and receives a pension or is vested is entitled to continue their health insurance coverage (with Medicare considered the primary insurance after age 65).
Termination Benefit	None
Death Benefit	Life insurance is provided to all employees who retire. The face amount is \$25,000.
Dental Benefit	Dental insurance is provided for employee continuing health insurance.
Medium of Funding	Predominantly on an Accrual Basis.

Changes in Plan Provisions Since the Prior Year

None.

Plan Provisions (continued)**Copay Percentages:**

	Service	Prior to 8/14/91	8/14/91 - 11/13/96	11/14/96- 10/31/06	After 10/31/06
Employee	20 +	0%	0%	0%	15%
	15 - 19	0%	20%	20%	100%
	10 - 14	0%	50%	50%	100%
	Less than 10	0%	100%	100%	N/A
Spouse	20 +	100%	100%	100%	100%
	15 - 19	100%	100%	100%	100%
	10 - 14	100%	100%	100%	100%
	Less than 10	100%	100%	100%	N/A

Indexing

	Service	Prior to 8/14/91	8/14/91 - 11/13/96	11/14/96- 10/31/06	After 10/31/06
Employee	20 +	Fixed	Fixed	Fixed	Increases
	15 - 19	Fixed	Fixed	Fixed	Increases
	10 - 14	Fixed	Fixed	Fixed	Increases
	Less than 10	Fixed	Increases	Increases	N/A
Spouse	20 +	Fixed	Fixed	Fixed	Fixed
	15 - 19	Fixed	Increases	Increases	Increases
	10 - 14	Fixed	Increases	Increases	Increases
	Less than 10	Fixed	Increases	Increases	N/A

Subsequent to 11/13/96 Employee and Spouse must both pay buy up cost for premium plan coverages. Plan cost are based on average for group not retirees.

Actuarial Certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. Because of limited scope, WRS performed no analysis of the potential range of such future differences.

The independent actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the Actuarial Calculations were performed by qualified actuaries based on current provisions and on actuarial assumptions that are internally consistent and reasonable based on the actual experience of the Employer.

A handwritten signature in dark ink, appearing to read 'Clark H. Weeks', is written over a horizontal line.

Clark H. Weeks, A.S.A., E.A., M.A.A.A.

WRS

January 2016